

SYN. NO. _____

AGN. NO.

MOTION BY SUPERVISOR ZEV YAROSLAVSKY

January 14, 2003

The Governor's Budget announced last week proposes the permanent elimination of State funds that backfill local government budgets for the loss of revenue resulting from the State's reduction in the general government portion of the vehicle license fee (VLF). This cut, which would take effect next month, would result in a loss of revenues to local governments of \$1.3 billion in the current year and \$2.9 billion in the budget year (FY 2003-04).

If approved by the Legislature, the Governor's proposal would result in a loss to Los Angeles County of \$191 million in the current budget year, which is more than half over, and \$472 million in FY 2003-04. On an annualized basis, the Governor's proposal would reduce the County's discretionary revenue by over 30 percent. Those revenues help to finance local services such as parks, health care and public protection, as well the local match required for State and Federal programs and services administered by the County. It would unavoidably result in a major loss of funds to the County's public protection agencies – primarily the Sheriff, Probation, the District Attorney, Fire-Lifeguards, and the Coroner - which receive approximately one-third of the County's discretionary funds. Because of the limits placed upon the authority of local governments to raise revenue by Proposition 13 and Proposition 218 (1996), it would be impossible for the County to

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replace such a major loss of State funds.

The Governor's proposal breaks a promise made by his predecessor and the Legislature in 1998 to hold local governments harmless from VLF rate reductions. And it ignores the compromise agreed to then to raise the VLF if at any time in the future the State could not afford to backfill local governments for their loss.

I, THEREFORE, MOVE that the Board of Supervisors direct the Chief Administrative Office to send a letter to the Governor and the Los Angeles County Legislative Delegation urging them to:

- 1) Reject the Governor's proposal to reduce the VLF backfill and honor the commitment to hold local governments harmless from State mandated cuts in this local revenue source; or
- 2) Promptly amend Section 10754 of the Revenue and Taxation Code to clarify any uncertainties and ambiguities regarding the circumstances that would trigger an increase in the VLF rate if State funding for the backfill is reduced.

AK I:\Proposal to reduce VLF